

FISCAL NOTE

SB 2292 - HB 2346

February 7, 2000

SUMMARY OF BILL: Defines *television service* as a one-way distribution of audio or video programming transmission with or without the use of wires, to subscribing or paying customers. This term includes only one-way distributions of audio and video programming and excludes two-way interactive transmissions or any other enhanced services. The term also includes the following: (i) Basic, premium, and ancillary service, or other special programming services, including single event and any other charges related to providing the services within the state, including, but not limited to, the rental of signal receiving equipment; (ii) Transmission of such programming by direct broadcast satellite services, subscription television services, cable television service authorized pursuant to TCA Title 7, Chapter 59, satellite master antenna television service, master antenna television service, multipoint distribution service, multichannel multipoint distribution services, or by a provider of a wireless cable service. *Television Service* does not include the following: (i) Programming and other information services transmitted via the information superhighway, the internet, broadband or by other similar methods; (ii) Interactive television, enhanced television, high definition television services and two-way informational, educational, gaming, banking or retail television services and any other two-way transmission regardless of the form of delivery; and (iii) Programming services transmitted by means not available to consumers as of January 1, 2000. Imposes the following taxes on these services:

<u>Type of Service</u>	<u>Current Rate</u>	<u>Proposed Rate</u>
<u>Coaxial Cable and Wireless Cable TV</u>		
0 to 15.00 per month	No Tax Due	No Tax Due
15.01 to 27.50 per month	8.25% State Only	8.25% State Only
27.51 and up	6.0% State and Local Option	8.25% State and Local Option
<u>Satellite TV</u>		
Entire fee per month	8.25% State Only	
0 to 15.00		Exempt
15.01 and up		8.25% State Only
<u>Enhanced, high-definition TV (whether delivered by satellite, coaxial cable or wireless cable)</u>		
Currently:	Entire fee per month taxable under definitions shown above	
Proposed:	Exempts these types of television services from the definition of Television Service. Thus, excluding these types of Television services from the tax.	

Reapportions revenues generated from this tax in the following manner:

Coaxial Cable and Wireless Cable Television

Current Apportionment:

Charges between \$15.00 and \$27.50 to the general fund.

Charges over \$27.50 distributed using the same method as all other sales tax revenue.

Proposed Apportionment:

Charges between \$15.00 and \$27.50 to the general fund.

Charges over \$27.50 according to the following formula:

72.73% would be distributed using the same method as all other sales tax revenue.

27.27% would be distributed to local governments according to population.

Local option tax would be distributed according to the current formula.

Satellite TV

Current Apportionment:

Revenue is distributed the same as all other sales tax revenue.

Proposed Apportionment:

Charges between \$15.00 and \$27.50 to the general fund.

Charges over \$27.50 according to the following formula:

72.73% would be distributed using the same method as all other sales tax revenue.

27.27% would be distributed to local governments according to population.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Net Impact \$2,936,000

**Increase State Expenditures - \$8,500 Recurring
 \$201,000 One-Time**

The net impact is as follows: Decrease State Revenues - \$6,311,000 (satellite)
Increase State Revenues - 3,375,000 (cable)
Net Decrease \$2,936,000

Estimate assumes the following:

- Total coaxial cable and wireless cable television charges in excess of \$27.50 on an annual basis is estimated to be approximately \$150,000,000. The increase in the state tax rate is 2.25% for these charges. This represents an estimated increase in state revenues of approximately \$3,375,000.
- Total satellite television charges of less than \$15.00 on an annual basis is approximately \$76,500,000. A decrease in state revenues at the rate of 8.25% is estimated to be approximately \$6,311,000.
- An increase in state expenditures for MIS System Implementation changes of approximately \$8,500 on a recurring basis and \$201,000 one-time.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James A. Davenport, Executive Director